



are using their funds to expand into many other fields of business to the point where they compete with other corporations in those fields which have to pay the full corporate tax of 30%. This is not fair.

The President commented that perhaps a system should be devised for imposing a withholding tax on co-op members as partners, rather than trying to have thousands of individual co-op members report their refunds as taxable income. Mr. Humphrey said that perhaps the Government should be willing to let co-op members get away without paying taxes on patronage refunds but that the inequity arises from the fact that co-ops pay no tax on their accumulated capital and, at the same time, are expanding to compete with corporations which do pay such tax.

Sec. Benson spoke as a "friend of co-ops", pointing out that many of the co-ops had voluntarily relinquished their "co-op" status, mostly because the record-keeping was too complex. (They have to demonstrate that no more than 50% of their business is with non-members.) He said that the national proportion of business done by co-ops has not increased in past years. In the case of farmers' co-ops, the organizations give the individual farmers more bargaining power than each would have alone. He pointed out that all the political leaders support farm co-ops unanimously and that the Administration could make a terrible political mistake by proposing such taxation. Sec. Humphrey agreed but pointed to the real inequity of letting many of the co-ops go tax free. He added that even the co-op people admit privately that the inequity should be remedied but they will never go that far publicly.

B. Whether or not Savings Banks should be taxed. Many of the same political issues apply here.

C. Whether or not Self-Employed Persons should be Permitted to Deduct for "Pension" Funds for themselves. Sec. Humphrey pointed out that employees of big companies get pension rights while lawyers, doctors, etc., are not allowed to deduct from their taxable incomes amounts they would like to save for the same purpose. This problem naturally applies to the higher income self-employed. The danger here, of course, is that the Treasury could lose too much money by allowing such deductions. Sec. Dulles commented that the lush expense accounts of corporation employees were a fertile source of tax money. Mr. Humphrey noted that that was a matter of law enforcement rather than a new policy issue. Sec. Humphrey said this proposal brings with it danger of the Administration being charged with helping the rich while at the same time it taxes the poor farmers and consumers co-ops.

D. Whether or not Mutual Insurance Companies should be taxed. The Secretary of the Treasury pointed out that today all insurance companies are taxed alike, whether or not they are mutual, because they all have to compete with one another. He felt that, possibly because of the votes of their policy-holders, insurance companies are not paying anything like their fair share of taxes.

E. What the Administration Policy should be on Depletion Allowances.

* * *

The President said his first reaction was to do what was right regardless of the consequences. Sec. Wilson felt, with respect to co-ops, that perhaps we should try to aim at some of the flagrant abuses but not move in on all co-ops everywhere. The President agreed and suggested the possibility